

Wapsie Valley Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2006

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# **Wapsie Valley Community School District**

## **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### **Board of Education**

#### **(Before September 2005 Election)**

Barry Fortsch	President	2007
Randy Woods	Vice President	2006
Merlyn Duffy	Board Member	2005
Mike Tagtow	Board Member	2005
Lori Zuck	Board Member	2006

### **Board of Education**

#### **(After September 2005 Election)**

Randy Woods	President	2006
Merlyn Duffy	Vice President	2008
Lori Zuck	Board Member	2006
Barry Fortsch	Board Member	2007
Jerry Van Daele	Board Member	2008

### **School Officials**

Dan Peterson	Superintendent	2006
Carol Foster	District Secretary	2006
Doris Gruetzmacher	District Treasurer	2006

## Independent Auditor's Report

To the Board of Education of  
Wapsie Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District, Fairbank, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

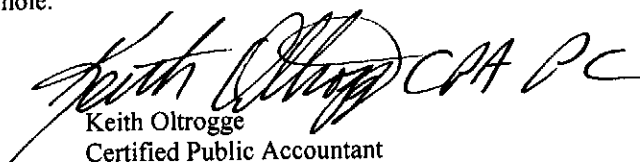
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 26, 2006 on my consideration of Wapsie Valley Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapsie Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC  
Keith Oltrogge  
Certified Public Accountant

October 26, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Wapsie Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,934,734 in fiscal 2005 to \$4,836,210 in fiscal 2006, while General Fund expenditures increased from \$4,569,179 in fiscal 2005 to \$5,197,521 in fiscal 2006. The District's General Fund balance decreased from \$1,255,776 in fiscal year 2005 to \$790,993 in fiscal year 2006, a 37% decrease.
- The decrease in General Fund revenues was attributable to a decrease in local sources revenue in fiscal year 2006. The increase in expenditures was due to an increase in all expenditure function areas.
- The decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 27.5% in 2005 to 14.3% in fiscal 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wapsie Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wapsie Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wapsie Valley Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Wapsie Valley Community School District Annual Financial Report**

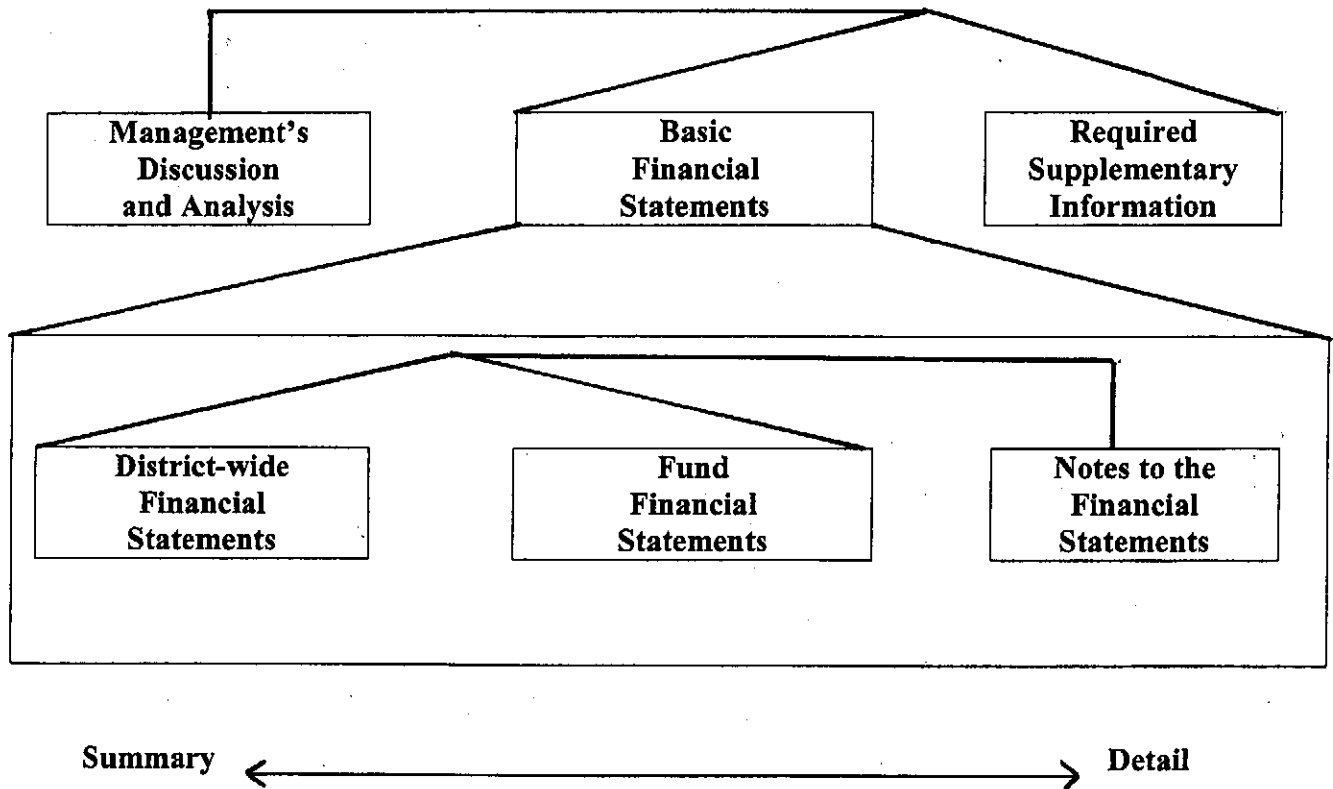


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$4,108,190	\$4,574,108	\$18,175	\$5,271	\$4,126,365	\$4,579,379	-\$453,014
Capital assets	2,345,080	2,160,819	1,173	1,358	2,346,253	2,162,177	184,076
Total assets	\$6,453,270	\$6,734,927	\$19,348	\$6,629	\$6,472,618	\$6,741,556	-\$268,938
Long-term liabilities	\$1,055,843	\$1,196,795	\$-	\$-	\$1,055,843	\$1,196,795	-\$140,952
Other liabilities	2,953,998	3,051,462	40,698	27,292	2,994,696	3,078,754	-84,058
Total liabilities	\$4,009,841	\$4,248,257	\$40,698	\$27,292	\$4,050,539	\$4,275,549	-\$225,010
Net assets:							
Invested in capital assets, net of related debt	\$1,385,080	\$1,060,819	\$1,173	\$1,358	\$1,386,253	\$1,062,177	\$324,076
Restricted	48,083	-	-	-	48,083	-	48,083
Unrestricted	1,010,266	1,425,851	-22,523	-22,021	987,743	1,403,830	-416,087
Total net assets	\$2,443,429	\$2,486,670	-\$21,350	-\$20,663	\$2,422,079	\$2,466,007	-\$43,928

The District's combined net assets decreased by nearly 1.8%, or \$43,928, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$48,083, or 100% over the prior year. The increase was primarily a result of an increase in prepaid expenses in the general fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$416,087, or 29.6%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
<b>Revenues:</b>			
Program revenues:			
Charges for service	\$370,121	\$153,439	\$523,560
Operating grants, contributions and restricted interest	586,138	79,821	665,959
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,732,495	-	1,732,495
Local option sales and service tax	354,332	-	354,332
Unrestricted state grants	2,561,604	-	2,561,604
Unrestricted investment earnings	59,856	758	60,614
Other	56,964	-	56,964
Total revenues	\$5,721,510	\$234,018	\$5,955,528
<b>Program expenses:</b>			
Governmental activities:			
Instruction	\$3,905,136	-	\$3,905,136
Support services	1,606,547	-	1,606,547
Non-instructional programs	-	234,705	234,705
Other expenses	253,068	-	253,068
Total expenses	\$5,764,751	\$234,705	\$5,999,456
Change in net assets	-\$43,241	-\$687	-\$43,928

Property tax and unrestricted state grants account for 72.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91.9% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,721,510 and expenses were \$5,764,751.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,905,136	\$2,955,083
Support services	1,606,547	1,600,341
Non-instructional programs	-	-
Other expenses	253,068	253,068
Totals	\$5,764,751	\$4,808,492

- The cost financed by users of the District's programs was \$523,560.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$665,959.
- The net cost of governmental activities was financed with \$2,086,827 in property and other taxes and \$2,561,604 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$234,018 and expenses were \$234,705. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Wapsie Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,443,429, below last year's ending fund balances of \$2,486,670.

### BUDGETARY HIGHLIGHTS

The District's receipts were \$161,938 more than budgeted receipts, a variance of 2.7%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2006, the District had invested \$2,346,253, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7.9% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$174,960.

The original cost of the District's capital assets was \$7,588,774. Governmental funds account for \$7,561,592, with the remainder of \$27,182 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$15,955	\$15,955	\$-	\$-	\$15,955	\$15,955	\$-
Construction in process	-	259,950	-	-	-	259,950	-259,950
Buildings	1,573,349	1,578,691	-	-	1,573,349	1,578,691	-5,342
Improvements other than buildings	91,043	99,206	-	-	91,043	99,206	-8,163
Furniture and equipment	664,733	207,017	1,173	1,358	665,906	208,375	457,531
Totals	\$2,345,080	\$2,160,819	\$1,173	\$1,358	\$2,346,253	\$2,162,177	\$184,076

## Long-Term Debt

At June 30, 2006, the District had \$1,055,843 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 11.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District June 30, 2006	Total Change June 30, 2005	Total 2005-2006
General obligation bonds	\$960,000	\$1,100,000	-\$140,000
Compensated absences	88,343	96,795	-8,452
Early retirement	7,500	-	7,500
Totals	\$1,055,843	\$1,196,795	-\$140,952

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Foster, District Secretary, Wapsie Valley Community School District, 2535 Viking Avenue, Fairbank IA 50629.

## **Basic Financial Statements**

## Wapsie Valley Community School District

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP	\$ 557,224	\$ -	\$ 557,224
Other	1,530,342	12,793	1,543,135
Receivables:			
Property tax:			
Delinquent	24,600	-	24,600
Succeeding year	1,566,620	-	1,566,620
Accounts	27,533	189	27,722
Accrued interest:			
ISCAP	173	-	173
Due from other funds	298,730	-	298,730
Due from other governments	54,885	-	54,885
Prepaid expenses	48,083	-	48,083
Inventories	-	5,193	5,193
Capital assets, net of accumulated depreciation	2,345,080	1,173	2,346,253
<b>Total Assets</b>	<b>\$ 6,453,270</b>	<b>\$ 19,348</b>	<b>\$ 6,472,618</b>
<b>Liabilities</b>			
Accounts payable	\$ 111,096	\$ -	\$ 111,096
Salaries and benefits payable	407,514	-	407,514
Early retirement	40,369	-	40,369
Due to other funds	259,035	39,695	298,730
Accrued interest payable	6,980	-	6,980
Deferred revenue-succeeding year property tax	1,566,620	-	1,566,620
Deferred revenue-other	-	1,003	1,003
ISCAP warrants payable	558,000	-	558,000
ISCAP accrued interest payable	138	-	138
Other current liabilities	4,246	-	4,246
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	145,000	-	145,000
Compensated absences	88,343	-	88,343
Early retirement	7,500	-	7,500
Portion due after one year:			
General obligation bonds payable	815,000	-	815,000
<b>Total Liabilities</b>	<b>\$ 4,009,841</b>	<b>\$ 40,698</b>	<b>\$ 4,050,539</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,385,080	\$ 1,173	\$ 1,386,253
Restricted for prepaid expenses	48,083	-	48,083
Unrestricted	1,010,266	-22,523	987,743
<b>Total Net Assets</b>	<b>\$ 2,443,429</b>	<b>\$ -21,350</b>	<b>\$ 2,422,079</b>

See notes to financial statements.

**Wapsie Valley Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,703,377	\$ 106,283	\$ 489,104	\$ -
Special instruction	510,558	19,627	78,057	-
Other instruction	691,201	244,211	12,771	-
	<u>\$ 3,905,136</u>	<u>\$ 370,121</u>	<u>\$ 579,932</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 86,535	\$ -	\$ -	\$ -
Instructional staff services	52,861	-	-	-
Administration services	518,844	-	-	-
Operation and maintenance of plant services	841,188	-	-	-
Transportation services	107,119	-	6,206	-
	<u>\$ 1,606,547</u>	<u>\$ -</u>	<u>\$ 6,206</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Long-term debt interest	\$ 47,780	\$ -	\$ -	\$ -
AEA flow-through	205,288	-	-	-
	<u>\$ 253,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 5,764,751</u>	<u>\$ 370,121</u>	<u>\$ 586,138</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 234,705	\$ 153,439	\$ 79,821	\$ -
Total	<u>\$ 5,999,456</u>	<u>\$ 523,560</u>	<u>\$ 665,959</u>	<u>\$ -</u>



Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-2,107,990	\$	-	\$ -2,107,990
	-412,874		-	-412,874
	-434,219		-	-434,219
\$	-2,955,083	\$	-	\$ -2,955,083
<hr/>				
\$	-86,535	\$	-	\$ -86,535
	-52,861		-	-52,861
	-518,844		-	-518,844
	-841,188		-	-841,188
	-100,913		-	-100,913
\$	-1,600,341	\$	-	\$ -1,600,341
<hr/>				
\$	-	\$	-	\$ -
<hr/>				
\$	-47,780	\$	-	\$ -47,780
	-205,288		-	-205,288
\$	-253,068	\$	-	\$ -253,068
<hr/>				
\$	-4,808,492	\$	-	\$ -4,808,492
<hr/>				
\$	-	\$	-1,445	\$ -1,445
<hr/>				
\$	-4,808,492	\$	-1,445	\$ -4,809,937

**Wapsie Valley Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

**General Revenues:**

Property Tax Levied For:

General purposes

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets

Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	1,560,057	\$ -	\$ 1,560,057
	172,438	-	172,438
	354,332	-	354,332
	2,561,604	-	2,561,604
	59,856	758	60,614
	56,964	-	56,964
\$	4,765,251	\$ 758	\$ 4,766,009
\$	-43,241	\$ -687	\$ -43,928
	2,486,670	-20,663	2,466,007
\$	2,443,429	\$ -21,350	\$ 2,422,079

## Wapsie Valley Community School District

Balance Sheet  
Governmental Funds

June 30, 2006

	General	Physical Plant & Equipment Levy	Capital Projects	Non- major Special Revenue	Total
<b>Assets</b>					
Cash and Pooled Investments:					
ISCAP	\$ 557,224	\$ -	\$ -	\$ -	\$ 557,224
Other	823,634	361,657	233,634	111,417	1,530,342
Receivables:					
Property Tax:					
Delinquent	20,461	2,575	-	1,564	24,600
Succeeding year	1,297,590	144,030	-	125,000	1,566,620
Accounts	-	-	27,348	185	27,533
Accrued interest:					
ISCAP	173	-	-	-	173
Due from other funds	298,730	-	-	-	298,730
Due from other governments	54,885	-	-	-	54,885
Prepaid expenses	48,083	-	-	-	48,083
<b>Total Assets</b>	<b>\$ 3,100,780</b>	<b>\$ 508,262</b>	<b>\$ 260,982</b>	<b>\$ 238,166</b>	<b>\$ 4,108,190</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 42,299	\$ 22,100	\$ 44,897	\$ 1,800	\$ 111,096
Salaries and benefits payable	407,514	-	-	-	407,514
Early retirement	-	-	-	40,369	40,369
Due to other funds	-	259,035	-	-	259,035
ISCAP warrants payable	558,000	-	-	-	558,000
ISCAP accrued interest payable	138	-	-	-	138
Other current liabilities	4,246	-	-	-	4,246
Deferred Revenue:					
Succeeding year property tax	1,297,590	144,030	-	125,000	1,566,620
Total Liabilities	<b>\$ 2,309,787</b>	<b>\$ 425,165</b>	<b>\$ 44,897</b>	<b>\$ 167,169</b>	<b>\$ 2,947,018</b>
Fund Balances:					
Reserved for prepaid expenses	\$ 48,038	\$ -	\$ -	\$ -	\$ 48,038
Unreserved	742,955	83,097	216,085	70,997	1,113,134
Total Fund Balance	<b>\$ 790,993</b>	<b>\$ 83,097</b>	<b>\$ 216,085</b>	<b>\$ 70,997</b>	<b>\$ 1,161,172</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,100,780</b>	<b>\$ 508,262</b>	<b>\$ 260,982</b>	<b>\$ 238,166</b>	<b>\$ 4,108,190</b>

## Wapsie Valley Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2006

<b>Total fund balances of governmental funds (page 15)</b>	\$ 1,161,172
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	2,345,080
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-6,980
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-1,055,843</u>
<b>Net assets of governmental activities (page 12)</b>	<u>\$ 2,443,429</u>

## Wapsie Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2006

	General	Physical Plant & Equipment Levy	Capital Projects	Non- Major Special Revenue	Total
<b>Revenues:</b>					
Local Sources:					
Local tax	\$ 1,459,972	\$ 172,438	\$ -	\$ 100,085	\$ 1,732,495
Tuition	120,922	-	-	-	120,922
Other	107,793	10,472	355,771	246,316	720,352
Intermediate sources	-	-	-	-	-
State sources	2,965,510	137	-	81	2,965,728
Federal sources	182,013	-	-	-	182,013
Total Revenues	\$ 4,836,210	\$ 183,047	\$ 355,771	\$ 346,482	\$ 5,721,510
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	\$ 2,623,725	\$ -	\$ -	\$ 40,369	\$ 2,664,094
Special instruction	510,558	-	-	-	510,558
Other instruction	449,766	-	-	233,683	683,449
	\$ 3,584,049	\$ -	\$ -	\$ 274,052	\$ 3,858,101
Support Services:					
Student services	\$ 86,535	\$ -	\$ -	\$ -	\$ 86,535
Instructional staff services	51,112	-	-	-	51,112
Administration services	497,726	-	-	26,939	524,665
Operation and maintenance of plant services	609,234	57,881	190,080	32,575	889,770
Transportation services	163,577	-	-	-	163,577
	\$ 1,408,184	\$ 57,881	\$ 190,080	\$ 59,514	\$ 1,715,659
Non-instructional programs	\$ -	\$ -	\$ -	\$ -	\$ -
Other Expenditures:					
Facilities acquisition	\$ -	\$ 123,136	\$ -	\$ -	\$ 123,136
Long-Term Debt:					
Principal	-	-	-	140,000	140,000
Interest and fiscal charges	-	-	-	47,880	47,880
AEA flow-through	205,288	-	-	-	205,288
	\$ 205,288	\$ 123,136	\$ -	\$ 187,880	\$ 516,304
Total Expenditures	\$ 5,197,521	\$ 181,017	\$ 190,080	\$ 521,446	\$ 6,090,064
Excess (deficiency) of revenues over (under) expenditures	\$ -361,311	\$ 2,030	\$ 165,691	\$ -174,964	\$ -368,554
Other Financing Sources (Uses):					
Operating transfers in	\$ 84,408	\$ -	\$ -	\$ 187,880	\$ 272,288
Operating transfers out	-187,880	-10,767	-73,641	-	-272,288
Total Other Financing Sources (Uses)	\$ -103,472	\$ -10,767	\$ -73,641	\$ 187,880	\$ -
Net change in fund balances	\$ -464,783	\$ -8,737	\$ 92,050	\$ 12,916	\$ -368,554
Fund balances beginning of year	1,255,776	91,834	124,035	58,081	1,529,726
Fund Balances End of Year	\$ 790,993	\$ 83,097	\$ 216,085	\$ 70,997	\$ 1,161,172

See notes to financial statements.

**Wapsie Valley Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**To the Statement of Activities**

**Year Ended June 30, 2006**

**Net change in fund balances – total governmental funds (page 17)** \$ -368,554

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 358,536	
Depreciation expense	<u>-174,275</u>	184,261

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	140,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	\$ 8,452	
Early retirement	<u>-7,500</u>	952

<b>Change in Net Assets of Governmental Activities (page 14)</b>	<b>\$</b>	<b><u>-43,241</u></b>
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Wapsie Valley Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2006

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 12,793
Accounts receivable	189
Inventories	5,193
Capital assets, net of accumulated depreciation	<u>1,173</u>
<b>Total Assets</b>	<u>\$ 19,348</u>
<b>Liabilities</b>	
Inter-fund payable	\$ 39,695
Deferred revenue	<u>1,003</u>
<b>Total Liabilities</b>	<u>\$ 40,698</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 1,173
Unrestricted	<u>-22,523</u>
<b>Total Net Assets</b>	<u>\$ -21,350</u>



**Wapsie Valley Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**June 30, 2006**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 153,439
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 71,534
Benefits	51,792
Purchased services	60
Supplies	110,634
Depreciation	685
Total operating expenses	<u>\$ 234,705</u>
Operating loss	<u>\$ -81,266</u>
Non-operating revenues:	
State sources	\$ 3,359
Federal sources	76,462
Interest income	758
Total non-operating revenues	<u>\$ 80,579</u>
Change in net assets	\$ -687
Net assets beginning of year	<u>-20,663</u>
Net Assets End of Year	<u>\$ -21,350</u>

## Wapsie Valley Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 153,565
Cash paid to employees for services	-109,888
Cash paid to suppliers for goods or services	-93,684
Net cash used by operating activities	<u>\$ -50,007</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,359
Federal grants received	58,407
Net cash provided by non-capital financing activities	<u>\$ 61,766</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -500</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 758</u>
Net increase in cash and cash equivalents	\$ 12,017
Cash and cash equivalents beginning of year	<u>776</u>
Cash and Cash Equivalents End of Year	<u>\$ 12,793</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -81,266
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,813
Depreciation	685
Decrease in inventories	353
Decrease in accounts receivable	1
(Decrease) in deferred revenue	-21
Increase in inter-fund payable	<u>13,428</u>
Net Cash Used by Operating Activities	<u>\$ -50,007</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received \$18,054 of federal commodities.

## Wapsie Valley Community School District

### Notes to Financial Statements

June 30, 2006

#### (1) Summary of Significant Accounting Policies

Wapsie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Readlyn, Fairbank and Oran, Iowa and portions of the predominately agricultural territories in Bremer, Buchanan, Fayette and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Wapsie Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Wapsie Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for all resources used in the acquisition of buildings, improvements and equipment.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2006, expenditures in the support services functional area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise-Nutrition	\$ 39,695
General Fund	Physical Plant and Equipment Levy	\$ 259,035

The Nutrition Fund owes the General Fund for salaries in prior years. The balance will be repaid when the funds become available. The Physical Plant and Equipment Levy owes the General Fund. The balance was repaid after June 30, 2006.

**(4) Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General Fund	Physical Plant and Equipment Levy	\$ 10,767
General Fund	Capital Projects	73,641
Debt Service	General Fund	187,880
Total		\$ 272,288

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Un-amortized Premium
2006-07A	6-28-06	6-28-07	\$ 557,224	\$ 173	\$ 558,000	\$ 138	\$ 4,246

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2006.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%



**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 15,955	\$ -	\$ -	\$ 15,955
Construction in process	259,950	-	259,950	-
Total capital assets not being depreciated	\$ 275,905	\$ -	\$ 259,950	\$ 15,955
Capital assets being depreciated:				
Buildings	\$ 4,492,786	\$ 48,428	\$ 20,000	\$ 4,521,214
Improvements other than buildings	363,468	5,847	2,000	367,315
Furniture and equipment	2,157,897	564,211	65,000	2,657,108
Total capital assets being depreciated	\$ 7,014,151	\$ 618,486	\$ 87,000	\$ 7,545,637
Less accumulated depreciation for:				
Buildings	\$ 2,914,095	\$ 53,770	\$ 20,000	\$ 2,947,865
Improvements other than buildings	264,262	14,010	2,000	276,272
Furniture and equipment	1,950,880	106,495	65,000	1,992,375
Total accumulated depreciation	\$ 5,129,237	\$ 174,275	\$ 87,000	\$ 5,216,512
Total capital assets being depreciated, net	\$ 1,884,914	\$ 444,211	\$ -	\$ 2,329,125
Governmental Activities Capital Assets, Net	\$ 2,160,819	\$ 444,211	\$ 259,950	\$ 2,345,080
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 26,682	\$ 500	\$ -	\$ 27,182
Less accumulated depreciation	25,324	685	-	26,009
Business Type Activities Capital Assets, Net	\$ 1,358	\$ -185	\$ -	\$ 1,173

Depreciation expense was charged to the following functions:

**Governmental Activities:**

Instruction:

Regular

\$ 102,507

Other

7,752

Support services:

Instructional staff

1,749

Administration

1,080

Operation and maintenance of plant

36,397

Transportation

24,790

\$ 174,275

Unallocated

-

Total Depreciation Expense – Governmental Activities

\$ 174,275

**Business Type Activities:**

Food service operations

\$ 685

**(7) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 1,100,000	\$ -	\$ 140,000	\$ 960,000	\$ 145,000
Compensated absences	96,795	-	8,452	88,343	88,343
Early retirement	-	7,500	-	7,500	7,500
Total	\$ 1,196,795	\$ 7,500	\$ 148,452	\$ 1,055,843	\$ 240,843

**General Obligation Bonds Payable**

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending	Interest Rate	Principal	Interest	Total
2007	4.10%	\$ 145,000	\$ 41,880	\$ 186,880
2008	4.20%	150,000	35,935	185,935
2009	4.30%	155,000	29,635	184,635
2010	4.40%	160,000	22,970	182,970
2011	4.50%	170,000	15,930	185,930
2012	4.60%	180,000	8,280	188,280
Total		\$ 960,000	\$ 154,630	\$ 1,114,630

During the year ended June 30, 2006, the District made principal, interest and fees payments totaling \$187,880 under the agreements.

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive is that each eligible employee will receive \$15,000. Early retirement benefits paid during the year ended June 30, 2006 totaled \$28,258. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liabilities section representing the District's commitment to fund non-current early retirement.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$152,980, \$141,839 and \$142,803, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Wapsie Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$205,288 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Commitments**

The District has entered into a contract for the construction of a pole building for \$58,600, of which \$46,880 was not complete as of June 30, 2006.

### **Required Supplementary Information**

**Wapsie Valley Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2006**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,573,769	\$ 154,197
Intermediate sources	-	-
State sources	2,965,728	3,359
Federal sources	182,013	76,462
Total Receipts	<u>\$ 5,721,510</u>	<u>\$ 234,018</u>
Disbursements:		
Instruction	\$ 3,858,101	\$ -
Support services	1,715,659	-
Non-instructional programs	-	234,705
Other expenditures	516,304	-
Total Disbursements	<u>\$ 6,090,064</u>	<u>\$ 234,705</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -368,554	\$ -687
Balances beginning of year	<u>1,529,726</u>	<u>-20,663</u>
Balances End of Year	<u>\$ 1,161,172</u>	<u>\$ -21,350</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Variance
\$	2,727,966	\$ 2,527,833	\$ 200,133
	-	14,000	-14,000
	2,969,087	3,040,497	-71,410
	258,475	211,260	47,215
\$	5,955,528	\$ 5,793,590	\$ 161,938
\$	3,858,101	\$ 4,332,921	\$ 474,820
	1,715,659	1,608,256	-107,403
	234,705	245,660	10,955
	516,304	582,978	66,674
\$	6,324,769	\$ 6,769,815	\$ 445,046
\$	-369,241	\$ -976,225	\$ 606,984
	1,509,063	1,383,607	125,456
\$	1,139,822	\$ 407,382	\$ 732,440

**Wapsie Valley Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2006**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

## **Other Supplementary Information**



## Wapsie Valley Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2006

	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 40,045	\$ 71,372	\$ 111,417
Receivables:			
Property Tax:			
Delinquent	1,564	-	1,564
Succeeding year	125,000	-	125,000
Accounts	-	185	185
<b>Total Assets</b>	<b>\$ 166,609</b>	<b>\$ 71,557</b>	<b>\$ 238,166</b>
<b>Liabilities &amp; Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	\$ 1,800	\$ 1,800
Early retirement	40,369	-	40,369
Deferred revenue:			
Succeeding year property tax	125,000	-	125,000
Total Liabilities	<b>\$ 165,369</b>	<b>\$ 1,800</b>	<b>\$ 167,169</b>
Fund Equity:			
Unreserved fund balances	\$ 1,240	\$ 69,757	\$ 70,997
<b>Total Liabilities and Fund Equity</b>	<b>\$ 166,609</b>	<b>\$ 71,557</b>	<b>\$ 238,166</b>

## Wapsie Valley Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds**

Year Ended June 30, 2006

	Debt Service	Management Levy	Student Activity	Total
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ -	\$ 100,085	\$ -	\$ 100,085
Other	-	-	246,316	246,316
State sources	-	81	-	81
Total Revenues	\$ -	\$ 100,166	\$ 246,316	\$ 346,482
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 40,369	\$ -	\$ 40,369
Other instruction	-	-	233,683	233,683
Support Services:				
Administration services	-	26,939	-	26,939
Operation and maintenance of plant services	-	32,575	-	32,575
Other Expenditures:				
Long-Term Debt:				
Principal	140,000	-	-	140,000
Interest and fiscal charges	47,880	-	-	47,880
Total Expenditures	\$ 187,880	\$ 99,883	\$ 233,683	\$ 521,446
Excess (deficiency) of revenues over (under) expenditures	\$ -187,880	\$ 283	\$ 12,633	\$ -174,964
Other Financing Sources (Uses):				
Operating transfers in	\$ 187,880	\$ -	\$ -	\$ 187,880
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 283	\$ 12,633	\$ 12,916
Fund balances beginning of year	-	957	57,124	58,081
Fund Balances End of Year	\$ -	\$ 1,240	\$ 69,757	\$ 70,997

## Wapsie Valley Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Ed Foundation	\$ 11,907	\$ 21,048	\$ 15,816	\$ -	\$ 17,139
Resale:					
Industrial Arts	-	406	105	-	301
Music	-2,019	-	-	-	-2,019
Postage	3	-	-	-	3
Textbooks	41,155	14,613	-	-	55,768
Athletics	-17,391	115,832	131,671	-	-33,230
Yearbook	-	10,105	7,846	-	2,259
Music programs	-	8,675	7,483	-	1,192
Music Trust Fund	3,641	455	-	-	4,096
Student Council	-	353	460	-	-107
Vocational Agriculture Club	17,517	61,850	59,414	-	19,953
Dramatics	-	1,555	2,904	-	-1,349
Junior High Student Council	858	59	23	-	894
Towels	-	4	-	-	4
Interest	115	2,290	-	-	2,405
Class of 1995-1999	252	-	252	-	-
Class of 2000	-3	3	-	-	-
Class of 2006	-160	2,579	2,286	-	133
Class of 2007	322	5,381	4,611	-	1,092
Children's Emergency Fund	927	217	37	-	1,107
NHS	-	891	775	-	116
Total	\$ 57,124	\$ 246,316	\$ 233,683	\$ -	\$ 69,757

See accompanying independent auditor's report.

## Wapsie Valley Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

## For the Last Four Years

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Local Sources:				
Local tax	\$ 1,732,495	\$ 1,791,249	\$ 2,079,903	\$ 2,006,635
Tuition	120,922	115,269	114,801	72,788
Other	720,352	806,291	526,166	445,496
Intermediate sources	-	-	-	-
State sources	2,965,728	2,877,391	2,939,531	2,960,319
Federal sources	182,013	188,619	139,367	358,033
Total	<u>\$ 5,721,510</u>	<u>\$ 5,778,819</u>	<u>\$ 5,799,768</u>	<u>\$ 5,843,271</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,664,094	\$ 2,290,311	\$ 2,241,483	\$ 2,150,774
Special instruction	510,558	513,911	696,077	751,252
Other instruction	683,449	703,850	621,878	656,236
Support services:				
Student services	86,535	83,826	81,454	78,410
Instructional staff services	51,112	46,994	62,154	30,674
Administration services	524,665	427,426	478,364	420,078
Operation and maintenance of plant services	889,770	433,600	478,149	492,699
Transportation services	163,577	198,957	153,606	172,935
Community services	-	182	-	-
Central support services	-	-	650	58,453
Non-instructional programs	-	13,214	10,199	-
Other expenditures:				
Facilities acquisition	123,136	309,573	63,407	1,289,838
Long-term debt:				
Principal	140,000	130,000	130,000	125,000
Interest and other charges	47,880	52,430	56,245	59,355
AEA flow-through	205,288	205,149	209,371	221,305
Total	<u>\$ 6,090,064</u>	<u>\$ 5,409,423</u>	<u>\$ 5,283,037</u>	<u>\$ 6,507,009</u>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Wapsie Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wapsie Valley Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 26, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Wapsie Valley Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items I-A-06, I-B-06 and I-C-06 are material weaknesses.

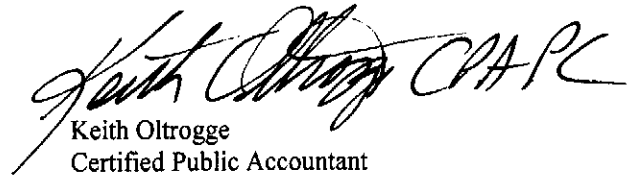
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapsie Valley Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapsie Valley Community School District and other parties to whom Wapsie Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Wapsie Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 CPA PC  
Keith Oltrogge  
Certified Public Accountant

October 26, 2006

**Wapsie Valley Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

**Part I – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

- I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – We will continue to monitor procedures from administrative and Board levels.

Conclusion – Response accepted.

- I-B-06 Monthly Financial Reports – Monthly financial reports, including bank reconciliations, were not prepared or presented for approval to the Board at several monthly meetings.

Recommendation – Financial reports and bank reconciliations should be prepared and presented monthly to the Board to enable the Board to use the information to manage District business.

Book balances should be reconciled to bank balances at the end of every month and the reconciliation should accompany the monthly financial report to the Board for their review and approval.

Response – We are working on this.

Conclusion – Response accepted.

- I-C-06 Unrecorded Activity Funds – There is elementary script and fundraising funds which the District has not recorded on its books. These bank accounts are under the School's Federal ID Number, and should be under the District's control and should be recorded in the District's financial records.

Recommendation – The District should have control of all District funds and account for these funds.

Response – We will do this.

Conclusion – Response accepted.



**Wapsie Valley Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

**Part II - Other Findings Related to Statutory Reporting:**

- II-A-06 Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the certified budget amount in the support services function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- II-B-06 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

- II-F-06 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response - All minutes will be published as required.

Conclusion - Response accepted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was not certified to the Iowa Department of Education timely.

Recommendation – The District needs to file the Certified Annual Report in the prescribed time limits established by the Department of Education.

Response – We will do this in the future.

Conclusion – Response accepted.

II-J-06 Student Activity Fund – The Student Activity Fund includes an account which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. This account is identified as "Music Trust". This should have been closed or reclassified prior to the fiscal 1997 GAAP conversion and should be corrected by the District. According to the Department of Education, the District should be accounting for this in the General Fund or should assign the proceeds to a specific activity.

Recommendation – The District should make a corrective transfer to account for this in the General Fund or another activity.

Response – We will review this account and reallocate where necessary to other proper activities..

Conclusion – Response accepted.

II-K-06 Financial Condition – Activity Fund – The Student Activity Account had four deficit accounts at June 30, 2006.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return the accounts to sound financial conditions.

Response – We are working on this.

Conclusion – Response accepted.